

*File*

**the  
Glengair Group  
limited**

first report  
December 31st  
1965



# THE GLENGAIR GROUP LIMITED

## Directors

J. S. GAIRDNER

J. H. GAIRDNER

J. HOWARD HAWKE

C. W. LEONARDI, F.C.A.

J. A. MULLEN, Q.C.

## Officers

J. S. GAIRDNER, *President*

C. W. LEONARDI, F.C.A., *Vice President and Treasurer*

GRACE MAYBURY, *Secretary*

## Transfer Agent and Registrar

CANADA PERMANENT TRUST COMPANY

Montreal, Toronto, Winnipeg, Vancouver

## Auditors

GLENDINNING, JARRETT, GOULD & CO.

*Chartered Accountants*

Toronto



# THE GLENGAIR GROUP LIMITED



J. S. GAIRDNER  
*President*

## To the Shareholders:

Subsequent to the fiscal year end, and prior to publication of this report, Consumer Credit Corporation Limited was reorganized. On February 25, 1966, the resultant entity became known as THE GLENGAIR GROUP LIMITED. It then acquired all of the outstanding shares of Glengair Investments Limited, an established investment and management company.

The general policy of THE GLENGAIR GROUP LIMITED, simply stated, will be to increase the earning power and assets of the Company for the benefit of present and future shareholders.

Before commenting on future plans, a brief review of the activities of our recently purchased subsidiary, Glengair Investments Limited, will illustrate the growth and profit potential inherent in our method of operation.

Glengair Investments Limited, while incorporated in 1957, remained an inactive company with total assets of less than \$1,000 until mid 1961. Since that time (subject only to the addition to paid up capital stock of \$1,194,467 in February, 1965), the company has grown to its current position where its net worth at December 31, 1965 amounted to \$6,638,256, and pro forma consolidated net earnings for the year ended on that date amounted to \$582,482.

Glengair Investments Limited holds a well diversified investment portfolio that includes representation in such business activities as:

- Manufacture of bricks
- Production and preservative treatment of timber and lumber
- Sugar refining
- Construction
- Natural resource development
- Manufacture of moulds and components for the automotive industry
- Mutual fund management
- Manufacture of cordage, rope and twine products
- Manufacture of heating equipment
- Manufacture of women's and men's clothing
- Trust company
- Manufacture of farm products
- Foundry
- Light and Power
- Manufacture of jet engine components

\* \* \*

Canada Brick Company Limited is a wholly owned subsidiary that manufactures clay bricks on the outskirts of Streetsville, between Toronto and Hamilton. It has the largest single-plant capacity in Canada at 60 million bricks annually, and has undertaken a program of construction to expand its production facilities by 40 per cent to 84 million bricks a year. The company recently issued 6¾% Secured Sinking Fund Debentures Series "A" to repay bank indebtedness and finance its expansion plans.

Current operations are satisfactory and the company is continuing to increase its sales and earnings on a sound basis as its market areas and production facilities expand.

\* \* \*

Another company in which Glengair Investments Limited has a substantial interest is Northern Tar, Chemical and Wood Limited. This company, and its subsidiaries, are engaged in the production of wood products and the preservative treatment of utility poles, railway ties, highway divider posts and various types of construction timber. Lumber, pipe enamel, creosote and tar products are also produced in substantial quantities.

The NORTAR group of companies have a ten year record of growth through expansion of markets and diversification of products. Based on economic forecasts in natural resources industries, and taking



into consideration management's past record of achievement with NORTAR, a continued upward trend in profitability is anticipated.

\* \* \*

Investment holdings are acquired mainly for their growth potential, although some are also paying dividends at this time. THE GLENGAIR GROUP LIMITED has a voice in management of virtually all companies in the portfolio.

It is our intention to implement the policies which produced outstanding results for Glengair Investments Limited. Our aim will be to manage the affairs of THE GLENGAIR GROUP LIMITED in such a manner that it will emerge as one of Canada's more aggressive operating and investment concerns.

Generally speaking, our broad aims will encompass:

- investment in growth securities, without limitation as to type of industry, stage of development or geographical location,
- acquisition for cash of any company offering growth potential or improved operation through reorganization of corporate setup, management functions, or basic aims,—again, without any geographical or other limitations,
- acquisition in exchange for securities, including common shares, by offering participation in our growth to owners of other companies where we believe those companies to be well managed and capable of contributing to our overall growth,
- any combination of the foregoing which we believe will enure to the benefit of THE GLENGAIR GROUP LIMITED and its shareholders.

Present management has been connected with Glengair Investments Limited since its formation.

It is our hope that every shareholder will take an active interest in the future growth of the Company, and where possible, will participate in gathering and reporting information which will lead to acquisitions, mergers or other profitable investments of any nature. We urge you to take an active, long term interest in our operations in the expectation that such interest will prove of tangible benefit to you.

We take this opportunity to welcome you as shareholders of this newly-created combination of an operating and investment company, and look forward to a long and rewarding association together in THE GLENGAIR GROUP LIMITED.

J. S. GAIRDNER, *President*

March 11, 1966



# THE GLENGAIR GROUP LIMITED

(Formerly Consumer Credit Corporation Limited)

This pro forma consolidated balance sheet gives effect to the following events and transactions which form part of the reorganization plan referred to in the Explanatory Statement to the holders of all securities of Consumer Credit Corporation, Limited (the "Company") dated November 19, 1965:

1. The issue of supplementary letters patent changing the name of the Company to The Glengair Group Limited (referred to in the said Explanatory Statement as Glengair Financial Corporation Limited) and changing the authorized capital of the Company to 10,000,000 common shares without par value.
2. The acquisition of all the outstanding shares of Glengair Investments Limited for 6,268,813 common shares of the Company valued at \$1.00 per share.
3. The issue of \$2,362,580 principal amount of 6¾% debentures Series A, due December 15, 1985 (hereinafter called "New Debentures") and 236,258 common shares in exchange for presently outstanding secured notes, convertible debentures and share purchase warrants of the Company on the following bases:
  - (a) \$500 principal amount of New Debentures and 50 common shares for each \$500 principal amount of 6¾% convertible secured notes Series B, due June 15, 1966.

## Assets

### CURRENT

Cash - - - - -	\$ 792,478
Short term investments, at cost - - - - -	1,178,010
Secured notes of a finance company - - - - -	228,288
Marketable securities (Notes 2 and 3) - - - - -	5,696,135
Accounts receivable	
Trade, less allowance for doubtful accounts—\$50,952 - - - - -	\$ 1,843,097
Instalment, less allowance for doubtful accounts—\$1,000,000 (Note 4) - - - - -	999,778
Miscellaneous - - - - -	91,561
Inventories, valued at the lower of cost or market value - - - - -	2,287,936
Work in progress, at cost - - - - -	417,394
Cash surrender value of life insurance - - - - -	55,149
Deposits and prepaid expenses - - - - -	83,811
<u>Total current assets - - - - -</u>	<u>\$13,673,637</u>

LONG TERM MORTGAGES RECEIVABLE - - - - -	12,329
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### FIXED (Note 5)

Land, shale deposits, buildings, machinery and equipment and leasehold improvements - - - - -	\$10,724,717
Less: Accumulated depreciation, depletion and amortization - - - - -	4,496,237
	6,228,480

### DEFERRED CHARGES

Organization and financing expenses, including discount on long term debt \$ - - - - -	581,307
Goodwill and patent rights - - - - -	14,491
	595,798

### EXCESS OF COST OF INVESTMENT IN SUBSIDIARIES OVER BOOK VALUE OF NET

ASSETS ACQUIRED - - - - -	446,476
	<u>\$20,956,720</u>

Approved on behalf of the Board

J. S. GAIRDNER, *Director*

C. W. LEONARDI, *Director*



# Pro Forma Consolidated Balance Sheet

as at December 31, 1965

- (b) \$500 principal amount of New Debentures and 45 common shares for each \$500 principal amount of 6¾% secured notes Series C, due June 15, 1981.
- (c) \$60 principal amount of New Debentures and 6 common shares for each \$100 principal amount of 5½% convertible debentures, due November 15, 1978.
- (d) 10 common shares for each 100 common shares called for by the share purchase warrants.
4. The issue of 250,000 common shares in exchange for 125,000 6½% cumulative redeemable preference shares, Series A, on the basis of 2 common shares for each preference share and the cancellation of arrears of cumulative dividends.
5. The payment of \$426,934 to discharge the 5½% unsecured notes due August 1, 1965.
6. The release to the Company of short term investments of \$1,178,010 previously held by the trustee for the secured notes.
7. The purchase of marketable securities up to February 17, 1966 by Glengair Investments Limited at a cost of \$586,639, having a quoted market value as of such date of \$797,882.

## Liabilities

### CURRENT

Bank loans (secured) - - - - -	\$ 3,795,885
Accounts payable and accrued expenses - - - - -	950,258
Notes payable due within one year (secured) - - - - -	1,000,000
Due to broker (secured) - - - - -	978,745
Current instalment of long term debt - - - - -	70,000
Provision for income taxes (Note 6) - - - - -	576,884
Dividends payable to minority shareholders of subsidiary - - - - -	21,306
Interest accrued on short term and long term debt - - - - -	127,465
Total current liabilities - - - - -	\$ 7,520,543

### LONG TERM DEBT (Note 7)

6¾% debentures Series A due December 15, 1985 - - - - -	\$ 2,362,580
Subsidiary companies:	
6½% secured debenture due May 15, 1978 less current instalments -	1,090,000
6¾% secured sinking fund debentures Series A due January 4, 1986 -	2,000,000
	5,452,580

### MINORITY INTEREST IN SUBSIDIARY COMPANIES

36,000 \$1.70 cumulative redeemable preference shares - - - - -	\$ 900,000
Common shareholders' equity in capital stock and surplus - - - - -	579,615
	1,479,615

## Shareholders' Equity

### Capital (Note 8)

Authorized	
10,000,000 common shares without par value	
Issued and fully paid	
7,255,071 common shares - - - - -	\$ 7,466,666
Unrealized appreciation on investments - - - - -	211,243
Deficit - - - - -	(1,173,927)
	6,503,982
	<u>\$20,956,720</u>

The notes appended hereto form an integral part of this balance sheet.



# THE GLENGAIR GROUP LIMITED

(Formerly Consumer Credit Corporation Limited)

## *Notes to Pro Forma Consolidated Balance Sheet*

*as at December 31, 1965*

### 1. BASIS OF CONSOLIDATION

The accompanying pro forma consolidated balance sheet is based upon the December 31, 1965 consolidated balance sheet of Consumer Credit Corporation Limited and the pro forma consolidated balance sheet of Glengair Investments Limited.

### 2. MARKETABLE SECURITIES

	Cost	Market Value
Securities listed on recognized Canadian stock exchanges - - - - -	\$2,417,061	4,772,448
Unlisted securities - - - - -	857,035	923,687
	<u>\$3,274,096</u>	<u>5,696,135</u>

### 3. BASIS OF VALUATION OF INVESTMENTS

- Securities listed on recognized stock exchanges have been valued at quoted market value on the relative exchanges on December 31, 1965, or at quoted market values on February 17, 1966 in the case of such securities referred to in pro forma entry Number 7.
- Unlisted securities have been stated at market values as at December 31, 1965 or as at February 17, 1966 in the case of such securities referred to in pro forma entry Number 7.

### 4. INSTALMENT ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

The companies have provided an amount of \$1,000,000 as an allowance for possible loss on the collection of the instalment accounts receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the direct cost of collecting such accounts and the losses from bad debts therefrom. The companies are actively pursuing the collection of the accounts receivable.

### 5. FIXED ASSETS

Fixed assets are carried in the accounts, as follows:	Cost	Appraisal Basis A	Appraisal Basis B	Total
Land - - - - -	\$ 20,060	209,000		229,060
Shale deposits - - - - -	137,610			137,610
Railway siding - - - - -		10,825		10,825
Buildings, machinery equipment and leasehold improvements - - - - -	1,422,578	4,280,475	4,599,391	10,302,444
Construction in progress - - - - -	44,778			44,778
	<u>\$1,625,026</u>	<u>4,500,300</u>	<u>4,599,391</u>	<u>10,724,717</u>



Appraisal Basis A—These assets are stated at values determined by an appraisal made by Canadian Appraisal Company, Limited as of June 30, 1965, with subsequent additions at cost. Accumulated depreciation has been determined on the basis of observed depreciation as per the appraisal referred to, plus subsequent additions thereto based on cost. Depletion has been based on production related to estimated content of shale deposits.

Appraisal Basis B—These assets are stated at a valuation approved by the Board of Directors of the relevant company, being less than an appraised value as determined by General Appraisal Company, Limited as at November 23, 1965 with subsequent additions at cost. Depreciation has been provided on the basis of amortizing the undepreciated capital cost of the various assets over their estimated useful lives, as determined by management.

#### 6. DEPRECIATION AND INCOME TAXES

By reason of claims for capital cost allowances by subsidiary companies in excess of amounts of depreciation recorded on the books of those companies, taxes on income for the year were reduced by \$51,000. The cumulative deferment of taxes due to differences between the depreciation system employed by the subsidiary companies and that used for income tax purposes was \$239,300 as at December 31, 1965.

#### 7. LONG TERM DEBT

\$2,362,580—6¾% Debentures Series A (hereinafter called "New Debentures"). The Company has covenanted to establish a sinking fund to provide for the retirement of \$100,000 principal amount of New Debentures on December 15 in each of the years 1967 to 1984 inclusive.

##### SUBSIDIARY COMPANIES' LONG TERM DEBT

Repayment is as follows:

\$1,090,000—6½% Secured Debenture (exclusive of \$70,000 due May 15, 1966, shown as a current liability)

May 15, 1967 to 1968 inclusive \$70,000 per annum

May 15, 1969 to 1977 inclusive 95,000 per annum

May 15, 1978 the balance

\$2,000,000 6¾% Secured Sinking Fund Debentures Series A

The relevant company has covenanted to establish a sinking fund to provide for the retirement of \$100,000 principal amount of 6¾% Secured Sinking Fund Debentures Series A on January 4, in each of the years 1967 to 1985 inclusive.

#### 8. STOCK OPTIONS

As at December 31, 1965 there was outstanding an option granted to a shareholder to purchase common shares of the Company as follows:

150,000 shares at \$2 per share, expiring December 31, 1969.

In addition, as a result of the reorganization, options will have been granted to officers and employees of subsidiary companies in exchange for options formerly outstanding on the shares of Glengair



Investments Limited on 402,085 common shares at \$ .3979 per share. The said options expire not later than August 31, 1972.

In addition, one of the subsidiary companies has outstanding options on 20,000 of its common shares at a price of \$2.50 per share. The said options expire March 31, 1969.

#### 9. COMMITMENTS & CONTINGENT LIABILITIES

A subsidiary company has entered into a contractual commitment for additions to its production facilities amounting to \$419,460 of which \$41,946 was included in "Construction in progress" shown in Note 5.

In determining the estimated tax liability for the years 1963 to 1965 inclusive, a subsidiary company deducted interest and finance charges on long term debt. In the opinion of the tax authorities, a portion of these charges do not qualify as a cost of earning income from the business and, if this portion is disallowed, the resultant taxes excluding interest could amount to approximately \$71,000. Arguments have been submitted in support of the subsidiary company's claim for allowance of these charges and if the tax authorities proceed to make assessments in accordance with their proposal, the additional tax payable, if any, will be a matter to be determined by the Courts.

### Auditors' Report

To the Directors,  
THE GLENGAIR GROUP LIMITED.

We have prepared the attached pro forma consolidated balance sheet of The Glengair Group Limited as at December 31, 1965. This balance sheet has been prepared on the basis of the consolidated balance sheets of Consumer Credit Corporation Limited as at December 31, 1965, reported upon by Price Waterhouse & Co., auditors of that Company, and the pro forma consolidated balance sheet of Glengair Investments Limited as at December 31, 1965.

The report of the auditors of Consumer Credit Corporation Limited referred to in the preceding paragraph contained the following comment: "The companies have provided an amount of \$1,000,000 as an allowance for possible loss on the collection of the accounts receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the direct cost of collecting accounts and the losses from bad debts."

In our opinion, subject to the comment in the preceding paragraph, the accompanying pro forma consolidated balance sheet of The Glengair Group Limited as at December 31, 1965 together with the notes appended thereto present fairly the financial position of the Company and its subsidiaries as at December 31, 1965 after giving effect to the events and transactions set forth in the heading thereof, in accordance with generally accepted accounting principles.

GLENDINNING, JARRETT, GOULD & Co.  
Chartered Accountants

February 25, 1966.



# GLENGAIR INVESTMENTS LIMITED

## AND ITS SUBSIDIARY COMPANIES

### *Pro Forma Statement of Consolidated Earnings (Note 1)*

#### *For the Three Years Ended December 31, 1965*

<u>Year Ended December 31</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Earnings from Operations (Note 2) - - - - -	\$1,552,373	\$1,761,662	\$2,224,579
Provision for Depreciation and Depletion - - - - -	342,606	327,273	348,114
Interest (Note 3) - - - - -	211,304	262,085	385,576
Earnings before Provision for Income Taxes - - - - -	998,463	1,172,304	1,490,889
Provision for Income Taxes (Note 4) - - - - -	436,760	550,330	786,615
Net Earnings - - - - -	561,703	621,974	704,274
Minority Interest in Net Earnings - - - - -	59,818	99,856	121,792
Consolidated Earnings - - - - -	501,885	522,118	582,482

### Auditors' Report

To the Directors,  
GLENGAIR INVESTMENTS LIMITED.

We have examined the above pro forma statement of consolidated earnings of Glengair Investments Limited and its subsidiary companies for the three years ended December 31, 1965. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of some of the subsidiary companies.

In our opinion, the above pro forma statement of consolidated earnings of Glengair Investments Limited and its subsidiary companies together with the notes appended thereto, presents fairly the earnings for the three years ended December 31, 1965, in accordance with generally accepted accounting principles consistently applied.

Toronto, Ontario,  
February 24, 1966

GLENDINNING, JARRETT, GOULD & Co.  
Chartered Accountants



# GLENGAIR INVESTMENTS LIMITED

## AND ITS SUBSIDIARY COMPANIES

### *Notes to Pro Forma Statement of Consolidated Earnings*

*as at December 31, 1965*

1. The earnings of the following companies are included in the foregoing summary:

Glengair Investments Limited,

Canada Brick Company Limited and its wholly-owned subsidiary company,

Northern Tar, Chemical and Wood Limited and its subsidiary companies,

V.P.G.L. Holdings Limited,

The earnings are presented as if the parent subsidiary relationship existed throughout the three years ended December 31, 1965. In fact, Canada Brick Company Limited through its subsidiary, has been a wholly-owned subsidiary of Glengair Investments Limited only since June 30, 1965. Northern Tar, Chemical and Wood Limited has been a subsidiary of Glengair Investments Limited since May 30, 1964. V.P.G.L. Holdings Limited has been a subsidiary since incorporation in September, 1965.

2. Earnings from operations are the earnings before providing for depreciation and depletion, interest and income taxes. Profits on disposals of fixed assets aggregating \$32,761 have been eliminated.

3. Interest shown was paid as follows:										Demand Notes to Affiliated Companies	Bank Indebtedness	Debenture Debt	Total
1963	-	-	-	-	-	-	-	-	-	\$73,966	83,391	53,947	211,304
1964	-	-	-	-	-	-	-	-	-	78,688	98,964	84,433	262,085
1965	-	-	-	-	-	-	-	-	-	17,799	286,724	81,053	385,576

4. Provision for Income Taxes

- (a) By reason of claims for capital cost allowances by subsidiary companies in excess of amounts of depreciation recorded on the books of those companies during the three year period above, taxes on income were reduced as follows:

1963	-	-	-	-	-	-	-	-	-	-	\$73,700
1964	-	-	-	-	-	-	-	-	-	-	56,550
1965	-	-	-	-	-	-	-	-	-	-	46,000

The accumulated deferment of taxes due to differences between the depreciation system employed by the subsidiary companies and that used for tax purposes was approximately \$239,000 as at December 31, 1965.

- (b) Income tax assessments have been made to December 31, 1963 in respect of Northern Tar, Chemical and Wood Limited and its subsidiary companies. However, reference is made in Note 9 to the pro forma consolidated balance sheet of The Glengair Group Limited covering taxes for 1963/5.

By agreement with the former owners, the subsidiary of Canada Brick Company Limited is to be indemnified against any income tax liability in respect of fiscal periods up to December 31, 1964, not provided for in the accounts.



# GLENGAIR INVESTMENTS LIMITED

(Incorporated under the laws of Canada)

## Balance Sheet

as at December 31, 1965

### Assets

Cash - - - - -	\$	4,680
Marketable securities (Note 1)		
Securities listed on recognized Canadian stock exchanges (Cost \$1,830,423)-	\$3,511,029	
Unlisted securities (Cost \$483,461) - - - - -	526,412	4,037,441
Investment in and advances to subsidiary companies (Note 1)		
Investment (Cost \$2,611,457) - - - - -	\$6,393,781	
Advances - - - - -	18,367	6,412,148
		<u>\$10,454,269</u>

### Liabilities

Bank loans (secured) - - - - -	\$	2,405,294
Due to broker (secured) - - - - -		392,106
Notes payable due within one year (secured) - - - - -		1,000,000
Accounts payable and accrued charges - - - - -		16,113
Income taxes payable - - - - -		2,500
		<u>\$ 3,816,013</u>

### Shareholders' Equity

Capital stock		
Authorized		
990 6% non-cumulative redeemable preference shares of \$100 each	\$	99,000
2,000,000 common shares of no par value, which may be issued for an amount not to exceed - - - - -	3,000,000	
	<u>\$3,099,000</u>	
Issued and fully paid (Notes 2 and 3)		
959,410 common shares - - - - -	\$1,195,467	
Unrealized appreciation on investments - - - - -	5,505,882	
Deficit - - - - -	(63,093)	6,638,256
		<u>\$10,454,269</u>

Approved on behalf of the Board

J. S. GAIRDNER, *Director*

C. W. LEONARDI, *Director*

The notes appended hereto form an integral part of this statement.



# GLENGAIR INVESTMENTS LIMITED

## *Notes to Balance Sheet*

*as at December 31, 1965*

1. Basis of valuation of investments

- (a) Securities listed on recognized stock exchanges have been valued at the quoted market value on the relative exchanges on December 31, 1965.
- (b) Unlisted securities have been valued at market values.
- (c) Listed shares of subsidiary companies have been stated at quoted market values or where no quoted market value exists, the directors' valuation has been based on the earning power of the Companies, or the underlying value of the net assets thereof.

2. During the year ended December 31, 1965 shares were issued as follows:

	Shares	Amount
For securities at the market value thereof at date of purchase - - - - -	428,642	\$1,114,470
For cash - - - - -	30,768	79,997
	<u>459,410</u>	<u>\$1,194,467</u>

3. At December 31, 1965 there were outstanding options to purchase common shares of the Company as follows:

36,537 shares at \$2.60 per share expiring June 30, 1972.

25,000 shares at \$2.60 per share expiring August 31, 1972 to an officer of the Company.

4. At December 31, 1965 the Company was contingently liable in the amount of \$1,798,554 as guarantor of bank indebtedness of subsidiary companies. Subsequent to December 31, 1965 this amount was reduced to \$350,000 due to discharge of a bank loan of one of the subsidiaries.

5. Total remuneration received as a director, officer or employee by directors from the Company or its subsidiaries—\$15,125.

## Auditors' Report

To the Shareholders,  
GLENGAIR INVESTMENTS LIMITED.

We have examined the balance sheet of Glengair Investments Limited as at December 31, 1965. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet together with the notes appended thereto, presents fairly the financial position of the Company as at December 31, 1965 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

GLENDINNING, JARRETT, GOULD & CO.  
Chartered Accountants

February 25, 1966.







